



Troubled Debt Restructuring

III. Accounting & Regulatory Treatment

How does a TDR affect the ALLL?

TDR Loans

=

Impaired

**Must be measured for impairment
according to ASC 310**

***Please see the ALLL presentation for details on calculating the amount of impairment.**

Accrual vs. Nonaccrual

**Should TDR Loans be on
Nonaccrual?**

Yes (Usually)

All TDR loans are impaired

**Payment in full is not expected
according to original terms**

**Should generally be on
nonaccrual prior to modification**

Accrual vs. Nonaccrual

Can a TDR Loan return to accrual status?

Yes

Provided all of the following conditions are met:

**Current, well documented
credit evaluation**



**Reasonably assured
repayment of P&I**



**Sustained payment
performance
(Generally at least 6 months)**

Once a TDR, Always a TDR?

**Once a TDR,
Always Impaired?**

True

- Always Measured for Impairment Under ASC 310

**Once a TDR,
Always Reported?**

False

- Narrow Exclusion for Call Reports

**Once a TDR,
Always Adversely Classified?**

False

- Can be Upgraded to Pass Under Certain Conditions